No. (1)

Supreme Court, U.S.
FILED

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Supreme Court of The United States

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October Term, 1998

P.C. FILMS CORP.,

Petitioner,

- against -

MGM/UA HOME VIDEO INC.,
MGM/UA COMMUNICATIONS CO.,
WARNER HOME VIDEO, INC.,
TURNER ENTERTAINMENT CO,

Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

PETITION FOR A WRIT OF CERTIORARI

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September 22, 1998

Appeal Press - (914) 761-3600 (212) 267-6602 (516) 872-1110 (6104)

104pp

QUESTIONS PRESENTED FOR REVIEW

1. Should this Court resolve the conflict amongst the Circuits with respect to the creation of contractual rights, obligations and duration by private parties which evade and erode art. I, § 1, cl. 8 and art. VI, cl. 2 of the Constitution and applicable copyright statutes?

2. Should a perpetual duration of copyright rights be pre-empted from the inception of the contract signed in 1960?

3. If a contractual perpetual duration of copyright rights is in violation of art. I, § 8, cl. 8 and art. VI, cl. 2 of the Constitution, should perpetual duration be evidence of intent to allow a licensee to exercise copyright rights during the renewal term?

4. In determining the duration and nature of a copyright right, should the court apply constitutional provisions, copyright law, and copyright policy rather conflicting contractual provisions and state canons of interpretation of contracts?

5. If a duration of perpetual copyright rights licensed by a licensor to a licensee pursuant to a contract is unlawful because of art. I, § 8, cl. 2 of the Constitution, should a District Court, sitting in diversity, determine whether the contract under state law is void or voidable because the licensee has no obligation to pay perpetual royalties?

LIST OF PARTIES

The parties to the proceeding are:

Petitioner: P.C. Films Corp. (Parent: Ocean Stream Investments Limited; no nonwholly owned subsidiaries)

Respondents: Turner Entertainment Co., MGM/UA Home Video, Inc., MGM/UA Communications Co., and Warner Home Video, Inc.

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PETITION FOR A WRIT OF CERTIORARI
PRELIMINARY STATEMENT

Petitioner P.C. Films Corp. ("P.C. Films") petitions for a writ of certiorari to review the Judgment of the United States Court of Appeals for the Second Circuit which affirmed the Judgment of the United States District Court for the Southern District of New York denying a declaratory judgment adjudging that the agreement dated August 4, 1960 was terminated on December 31, 1989 and in connection therewith, the other claims were dismissed.

OPINIONS BELOW

The decision of the United States District Court for the Southern District of New York is reported in 954 F.Supp. 711 (S.D.N.Y. 1997). The decision of the Second Circuit Court of Appeals, affirming the District Court's judgment is reported in *P.C. Films Corp. v. MGM/UA Home Video, Inc., MGM/UA Communications Co., Warner Home Video, Inc., Turner Entertainment Co.*, 138 F.3d 453 (2d Cir. 1998).

JURISDICTION

The Judgment sought to be reviewed was entered on February 23, 1998.

This Petition is timely filed within 90 days of the denial by the Second Circuit on June 24, 1998 of Petitioner's Petition for rehearing.

This Court's jurisdiction to review the Judgment of the United States Court of Appeals for the Second Circuit affirming Judgments of the United States District Court for the Southern District of New York in favor of Petitioner is invoked pursuant to 28 U.S.C. §1254(1).

CONSTITUTIONAL PROVISIONS INVOLVED

art. I, § 8, cl. 8

The Congress shall have Power...To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

art. VI, cl. 2

This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

STATUTES INVOLVED

§ 1(a), (b), (c), (d) of the Copyright Act of 1909. 17 U.S.C. § 1(a), (b), (c) and (d) (rep. 1976) **(28a)**

§ 5(l)(m) of the Copyright Act of 1909. 17 U.S.C. § 5(l)(m) (rep. 1976) **(29a)**

§ 24 of the Copyright Act of 1909. 17 U.S.C. § 24 (rep. 1976) **(29a)**

§ 26 of the Copyright Act of 1909. 17 U.S.C. § 26 (rep. 1976) **(30a)**

§ 101 of the Copyright Act of 1976, *amended in 1992 by* Pub. L. No. 102-563, § 2, 106 Stat. 4247 (1992). 17 U.S.C. § 101 (1988),*amended in 1992 by* 17 U.S.C.§ 101 (1996) **(30a)**

§ 106(3) of the Copyright Act of 1976. 17 U.S.C. § 106(3) (1996) **(30a)**

§ 117(1) of the Copyright Act of 1976. 17 U.S.C. § 117(1) (1996) (31a)

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§ 301(a) of the Copyright Act of 1976. 17 U.S.C. § 301(a) (1996) (31a)

§ 304(a) of the Copyright Act of 1976, *amended in 1992 by* The Copyright Amendments Act of 1992, Pub. L. No. 102-307, 106 Stat. 264 (1992) 17 U.S.C. § 304(a)(1988), *amended in 1992 by*17 U.S.C. § 304(a)(i)(A), (B) and (C) (1996) (32a)

STATEMENT OF THE CASE

The case involves the conflict of contractual provisions with the Federal Constitution and the Copyright Acts of 1909 and 1976 with respect to the duration and nature of the copyright rights and purported copyright rights licensed by the proprietor/employer for hire of the copyrighted work, to wit, a motion picture, to a licensee to exploit the work pursuant to an agreement.

On August 4, 1960, Bronston Productions, Inc. ("Bronston") and MGM Distribution Corp. ("MGM") signed an agreement (the "Basic Agreement"), providing for the production and financing of the motion picture "King of Kings" based on the life of Jesus Christ (the "Picture"), together with a license to exploit the Picture. Petitioner P.C. Films is the assignee of the copyright and the Basic Agreement. Respondent Turner Entertainment Co. ("Turner") is the successor in interest to MGM and the rights under the Basic Agreement through *mesne* assignments.

The key provisions of the Basic Agreement are as follows:

> 8. ... [W]e (MGM) shall retain in perpetuity the exclusive right to distribute the said motion picture throughout the world .... Such distribution rights shall include all the customary rights, which are more fully described in Exhibit "I" attached hereto, and all theatrical, non-theatrical, motion picture and television rights and all other such rights and you represent, warrant and agree that the distribution rights which Caribe Curacao, N.V. shall release to us upon the execution hereof..(48a)
>
> 11.....[W]e (MGM) shall be vested with the perpetual and exclusive right to distribute the said motion picture "KING OF KINGS" throughout the territories in which we acquire rights hereunder...which such distribution rights shall be

> as described in paragraph 8 above and which also include our exclusive right to the benefit and enjoyment, for all purposes, of all negative, positive and other material related to such motion picture within our said territory, it being agreed, however, that we shall acquire neither copyright proprietorship nor legal title in the said motion picture nor in any of said properties related thereto, including ownership of the negative..(49a)

In addition, paragraph 11 provided that if MGM was not distributing the Picture in any territory after twenty-one years from the general release of the Picture (October, 1961), or twenty-four years from the Basic Agreement (August 1960) whichever should first expire, then subject to certain recoupment provisions, Bronston was permitted to distribute the Picture through a third party for a three year period. All of Bronston's rights would have necessarily been exercised during the initial 28 year term of the copyright. (49a)

The distribution rights referred to in paragraphs 8 and 11 include all the rights which are described in Exhibit I. (47a,52a) Exhibit I consists of five sections, Section 1 (Provisions Relating to the Production of the Photoplay) (52a), Section 2 (Warranty and Indemnity Provisions) (52a), Section 3 (Provisions relating to Distribution of the Photoplay) (53a), Section 4 (Provisions relating to Gross Receipts and the Disbursement thereof) (58a) and Section 5 (Miscellaneous Provisions) (58a). Paragraph 1, Section 3 of Exhibit I of the Basic Agreement provided for the grant of copyright rights and other protection by contractual language which have no duration and did not refer to § 1 of the Copyright Act of 1909 which sets forth the statutory copyright rights of Exhibit I (53a). 17 U.S.C. § 1 (rep. 1976).

Bronston granted MGM a power of attorney to maintain copyright infringement actions; "...against any and all persons for the unauthorized or illegal use, copying, reproduction, release, distribution, exhibition or performance of the photoplay..." (53a)

The only reference to duration in the Basic Agreement was the term "perpetual" or "in perpetuity" in connection with the perpetual and exclusive distribution right (48a,49a). Bronston was to put a proper copyright notice in the main title designating Bronston as the copyright proprietor (¶9,55a). MGM had the right to take such measures with regard to MGM to register the copyright in the name of Bronston (¶9,55a).

MGM, without authority, included its name with Bronston in the requisite copyright notice for the purposes of releasing the work to the public. On September 4, 1962 MGM and Bronston signed a deposit agreement whereby MGM would save the costs of two prints.(43a) Thereafter, MGM prepared and signed a registration certificate claiming that MGM is a co-author of the Picture. (37a)

The Picture was published on October 30, 1961. (37a) On October 25, 1989 the copyright office received a renewal certificate in the name of Turner and Bronston and the copyright office issued the certificate of renewal on that date. (41a) On December 18, 1989 the copyright office accepted the renewal certificate in the sole name of P.C. Films. (39a) The other Respondents were licensees of Turner.

Benjamin Melniker, the former general counsel, vice-president and member of MGM's broad of directors, testified that:

> ...
> Now, the copyright is something different, and the copyright is for the original term and then it was renewed. But the distribution rights go on continuously. The grant is not dependent upon -- it is not dependent in the sense that it's not coterminous with the first period of copyright. (64a).

Mr. Melniker further testified that perpetuity meant forever

and that MGM would not have signed the Basic Agreement unless it received perpetual distribution rights. (62a, 63a, 64a).

The trial was held on stipulated facts including the deposition of Mr. Melniker. The basis for federal jurisdiction of the District Court is set forth in the Appendix (33a).

REASONS FOR GRANTING THE WRIT

The decision below presents a novel, important and unanswered question of whether contractual rights, obligations and duration, together with state canons of interpretation of contracts, can be used to evade art. I, § 8, cl. 8 (the Copyright Patent Clause) and art. VI, cl. 2 (the Supremacy Clause) of the Constitution and the Copyright Acts of 1909 and 1976. The holdings of the Second and Seventh Circuits conflict with the holdings of the Fourth, Fifth and Ninth Circuits.

I. All References To A Perpetual Duration of Copyright Rights In Contractual Language Should Be Pre-empted Because Of The Conflict With The Copyright Patent Clause And The Supremacy Clause Of The Constitution And The Applicable Copyright Act

A. Constitutional and Statutory Background

Copyright rights are a limited monopoly as to their duration, nature and scope. Fair use, compulsory licensing, and the parameter of infringing conduct delineate their nature and scope. The Copyright Patent Clause of the Constitution gives Congress the power to enact legislation with respect to the duration and nature of the limited monopoly.

The purpose of the Copyright Patent Clause is to encourage an author to create works, and in return the author is permitted to exclusively exploit the work for a limited time. Thereafter, the copyrighted work is available to the public. *Sony*

Corp. v. Universal City Studios, Inc., 464 U.S. 417, 429, 104 S.Ct. 774, 782 (1984), *reh'g denied*, 465 U.S. 1112, 104 S.Ct. 1619 (1984). After the expiration of the copyright and its copyright rights, no person can exercise any copyright remedy. The simple reason is there is no longer a copyright or a limited monopoly, and therefore nothing to infringe.

In *Goldstein v. California*, 412 U.S. 546, 93 S.Ct. 2303 (1973), *reh'g denied*, 414 U.S. 883, 94 S.Ct. 27 (1973), the Court held that because sound recordings were not within the subject matter coverage of federal copyright law, the California statute of unlimited duration was not subject to pre-emption by the Copyright Patent Clause and the Supremacy Clause of the Constitution. However, if a copyrighted work is covered by a federal copyright statute, or if Congress has decided to leave the subject matter of work unprotected, the States will be barred from enacting any legislation protecting the work.

When Congress enacts legislation covering copyright subject matter and grants an exclusive right or monopoly"...its effects are pervasive; no citizen or State may escape its reach." *Goldstein v. California*, 412 U.S. 546 at 560, 93 S.Ct. 2303 at 2312 (1973). Justice Burger, writing for the majority, made reference to the enactment by Congress of motion picture coverage in 1912 as an example of the pervasive effect of federal copyright protection. *Goldstein v. California*, 412 U.S. 546 at 562, 93 S.Ct. 2303 at 2312, *fn.* 17 (1973), *reh'g denied*, 414 U.S. 883, 94 S.Ct. 27 (1973).

Goldstein dealt with a state statute. Can a contract freely entered into between two parties evade, by contractually created rights, the Copyright Patent Clause, the Supremacy Clause of the Constitution, the applicable copyright act and copyright policy?

Petitioner respectfully submits that a state court or a federal court sitting in diversity is subject to the Copyright Patent Clause and Supremacy Clause with respect to a contract between two parties providing for a perpetual duration of copyright rights and purported copyright rights.

One of the bedrock principles of our society is that parties can enter into a contract of any lawful item, subject, however, to any conflict with federal law. *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 99 S.Ct. 1096 (1979). In *Aronson*, the designer, after applying for a patent of a keyholder, entered into a contract with a company for the manufacture and sale of a "keyholder" in consideration of a royalty of 5% if the previously filed application for the patent of the keyholder was granted. Pursuant to a contemporaneous agreement, the company obligated itself to a reduced royalty of 2-1/2% of sale of the application of the patent was denied. Thereafter, the application for the patent was denied. After fourteen years, the company refused to pay because it asserted that state law with respect to the contract is not enforceable because of patent law. This Court stated in *Aronson* that

> State law is not displaced merely because the contract relates to intellectual property, ...the states are free to regulate the use of such intellectual property in any manner not inconsistent with Federal law. (citations omitted)

Aronson v. Quick Point Pencil Co., 440 U.S. at 262, 99 S.Ct. at 1099.

The Court found that the contract was not inconsistent with Federal Patent Law relying on *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 94 S.Ct. 1879 (1979), which held that contracts of trade secrets do not disturb patent law. Both the law of state trade secrets and patent law are not in conflict because both encourages invention and disclosure. However, if the exploitation of trade secrets restrict disclosure, then state law may not satisfy the Patent Clause in favor of disclosure. *Aronson v. Quick Point Pencil Co.*, 440 U.S. at 266, 99 S.Ct. at 1101.

In *Lear, Inc. v. Adkins*, 395 U.S. 653, 89 S.Ct. 1902 (1969), the court held that a state contractual canon of estoppel cannot be applied to prevent a patent licensee from establishing the

invalidity of the patent and avoid payment of royalties because of the strong federal policy favoring the full and free use of ideas in the public domain.

In a contract for the license of copyright rights, there is no tension between state contract law and federal law unless there is a conflict involving duration and nature of copyright rights. Contract provisions for the nature and duration of perpetual copyright rights cannot alter constitutional and statutory law and copyright policy.

At the time of signing the Basic Agreement, § 24 of the Copyright Act of 1909 provided for a 28 year duration of the initial copyright term and if renewed in accordance with law, a renewal term of an additional 28 years. 17 U.S.C. § 24 (rep. 1976). Pursuant to § 304(a) Copyright Act of 1976 the duration of two terms was preserved for works published prior to January 1, 1978 and the renewal term was extended for an additional 19 years, 17 U.S.C. § 304(a) (1988) *amended in 1992 by* 17 U.S.C. § 304(a)(1)(A),(B),(C) (1996). The 1992 amendment provided that all works published between January 1, 1964 and December 31, 1977 are renewed automatically.

The Basic Agreement's contractual provisions for the duration of the copyright rights provided for a measuring period of perpetual duration. Such measuring duration violates the Copyright Patent Clause and Supremacy Clause of the Copyright Act of 1909 on August 4, 1960 and the Copyright Act of 1976 between January 1, 1989 and December 31, 1989.

B. The Second Circuit Should Have Pre-empted All References To A Perpetual Duration Of Copyright Rights Including The Use Of Such Perpetual Duration As Evidence Of Intent To Give Respondent Turner The Copyright Rights During The Renewal Term

The Second Circuit did not pre-empt the perpetual duration of the copyright rights nor did it acknowledge that a perpetual duration of copyright rights is a perpetual monopoly. However,

the Second Circuit created a novel and artificial doctrine of converting a perpetual duration into an initial term of copyright, a renewal term and then public domain subject to a deferral of the determination of Petitioner's restrictions after the expiration of the copyright. The Second Circuit previously rejected the doctrine of partial pre-emption. *National Basketball Association v. Motorola, Inc.*, 105 F.3d 841, 848 (2d Cir. 1997).

This Court held in *Brulotte v. Thys Co.*, 379 U.S. 29, 85 S.Ct. 176 (1964), *reh'g denied*, 379 U.S. 985, 85 S.Ct. 938 (1965), that an agreement, signed before the expiration of patentee's patent, cannot be enforced for royalties accrued after the expiration of the last of the patents incorporated into the licensed hop picking machines. Such use of the agreement beyond the expiration of the patent is unlawful per se. *Brulotte v. Thys Co.*, 379 U.S. at 32, 85 S.Ct. at 179. What is novel in the case at bar is a copyright having an initial term, and if properly renewed, a renewal term, together with a contractually created period of perpetual duration of copyright rights. This Court in *Brulotte* did not face the question of a license of perpetual patent rights and the payment of perpetual royalties.

The Second Circuit did not discuss nor cite *Brulotte* with respect to (a) the pre-emption of all references to perpetual as a measuring duration of the copyright rights; (b) the expiration of Respondents' copyright rights at the expiration of P.C. Films' copyright and (c) the deferral of the determination of P.C. Films' restrictions on the expiration of its copyright on December 31, 2037.

Petitioner respectfully submits that the Second Circuit should have pre-empted all references to a perpetual duration of copyright rights, including the unconstitutional perpetual duration as intent to justify the extension of Respondents' copyright rights during the renewal term.

The only reference to duration in the Basic Agreement was that MGM was retained and vested with the perpetual and exclusive right to "distribute" the Picture which such distribution

right(s) included copyright rights in contractual language without duration and state contractual rights, all contained in the five sections of Exhibit I (**48a,49a,52a-59a**). Paragraph 11 provided that such distribution rights included the exclusive right to the benefit and enjoyment for all purposes of all negative, positive and other materials related to the Picture. (**49a**). Bronston was the owner of the copyright as well as the negative and other material referred to in paragraph 11.

In order to justify the failure to pre-empt the unconstitutional perpetual duration, the Second Circuit relied on a New York State canon of construction that "construction of a contract should be, when it is possible, in favor of its legality." *Shedlinsky v. Budweiser Brewing Co.*, 163 N.Y. 437, 439, 57 N.E. 620, 620 (1900). (**11a**) The Second Circuit relied on a dictionary definition of perpetual to mean "forever" and "hereafter", and the testimony of Mr. Melniker which established that perpetual distribution rights would last forever as a canon of contractual intent to provide Respondents with copyright rights during the renewal term. (**10a**)

The application of a state law canon of construction to the durational period of a copyright or copyright rights is in violation of copyright policy. *S.O.S v. Payday, Inc.*, 886 F.2d 1081, 1088 (9th Cir. 1989).

The reliance by the Second Circuit of *Siegel v. National Periodical Pubs, Inc.*, 508 F.2d 909, 913 (2d Cir. 1974) is inapposite. The issue in *Siegel* involved the question of ownership of the renewal term of copyright, not the perpetual duration of copyright rights. The language of the assignment in the consent judgment which contained words "forever" and "hereafter" is no authority for a partial pre-emption of the plain language of a perpetual duration of copyright rights.

The word "perpetuity" was used as a word of duration in the Basic Agreement, not as a word of transfer nor intent to transfer copyright, which was the case in *Siegel*. The word "perpetual" was not ambiguous. New York law does not govern

interpretation of copyright concepts in the Constitution, copyright law and copyright policy. However, the New York rule with respect to the interpretation of contracts is a black-letter substantive "four corners" rule or "Plain English" rule. *Hunt Ltd. v. Lifschultz Fast Freight, Inc.*, 889 F.2d 1274 (2nd Cir. 1994); *Agfa-Gevaert, A.G. v. A.B. Dick Company*, 879 F.2d 1518 (7th Cir. 1989); *Eustis Mining Co. v. Beer, Sondheimer & Co.*, 239 F. 976, 984-985 (S.D.N.Y. 1917).

It does not follow that the plain and unambiguous words "perpetual" and "perpetuity" in the Basic Agreement should be converted into a doctrine of first term and renewal term, then a perpetual duration of public domain, subject to a determination of Petitioner's restrictions after the expiration of the copyright in the year 2037.

The contractual provisions providing for a perpetual duration of copyright rights which conflicts with the Copyright Patent Clause, Supremacy Clause and the applicable copyright act, should be pre-empted in its entirety from the inception of the Basic Agreement.

C. The Conflict With the Ninth Circuit

The holding of the Second Circuit is in conflict with *Rano v. Sipa Press, Inc.*, 987 F.2d 580 (9th Cir. 1993), constitutional law, statutes and policy. In *Rano v. Sipa Press, Inc.*, the Court of Appeals for the Ninth Circuit held that the application of California's law of contracts as to duration of a non-exclusive license of copyright rights was in conflict with the duration of a copyright under § 203 of the Copyright Act of 1976 (17 U.S.C. § 203 (1996)). The Court of Appeals for the Ninth Circuit pre-empted all references to the California common law to an agreement of non-specified duration which were terminable at the will of either party. *Rano v. Sipa Press, Inc.*, 987 F.2d. 582 at

585 (9th Cir. 1993).[1]

The Second Circuit is also in conflict with the Ninth Circuit in applying a state canon interpretation to justify the failure to apply the Supremacy Clause and copyright law as to duration. *S.O.S. v. Payday, Inc.*, 886 F.2d 1081, 1088 (9th Cir. 1989).

The conflict between the Second Circuit and the Ninth Circuit involves the use of contractual provisions to evade the Copyright Patent Clause and the Supremacy Clause of the Constitution.

D. The Conflict Amongst The Circuits

The Seventh Circuit in *ProCD, Inc. v. Zeidenberg*, 86 F.2d 1447 (7th Cir. 1996), *rev'g*, 908 F.Supp. 640 (W.D. Wis. 1996) did not pre-empt a contractual restriction in a shrinkwrap license prohibiting a purchaser from distributing the data base of a compilation of names of telephone users in alphabetical listing with his or her telephone numbers and zip codes. Purchaser purchased a CD-ROM disc which contained both telephone listings and a copyrighted software program used to access, retrieve and download the data. The purchaser's use of the copyrighted program was exempt pursuant to 17 U.S.C. § 117(1) (1996). The Seventh Circuit stated that the restrictions in the contract between two parties is not equivalent to copyright rights and therefore § 301(a) of the Copyright Act is not applicable. 17 U.S.C. § 301(a) (1996).

However, the contractual restrictions evaded and contractually overruled this Court's holding in *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 111 S.Ct. 1282 (1991). The use of contractual provisions in *ProCD* to avoid

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[1] The Ninth Circuit did not cite *Goldstein v. California*, 412 U.S. 546, 93 S.Ct. 2303 (1973), *reh'g denied*, 414 U.S. 883, 94 S.Ct. 27 (1973) as authority but *Fidelity Federal S & L Assn. v. de la Cuesta*, 458 U.S. 141, 102 S.Ct. 3014 (1982).

the Copyright Patent Clause and the Supremacy Clause of the Constitution was criticized. P.D. Connuck, When Private Parties Try To Expand Requirements Of Copyright, Patent Laws, N.Y.L.J., Intellectual Supplement 8/10/98, p. S2 at p. S8, col. 3; 1 Melville B. Nimmer and David Nimmer, *Nimmer on Copyright* § 3.04[B][3] (May 1998) (hereinafter referred to as "Nimmer on Copyright"); J.T. Warlick, IV, A Wolf in Sheeps Clothing, Information Licensing And *Defacto* Copyright Legislation in UCC 2B, 45 J. Copr. Socy., p. 158, 170 (1997).

Thus, the Second Circuit (contractual term of perpetual duration of copyright rights and its use of perpetual duration as an intent) and the Seventh Circuit (contractual restrictions of public domain material after this Court's holding in *Feist v. Rural*) are in conflict with the Ninth Circuit (pre-emption of conflicting California law of contracts with respect to duration).

Furthermore, the Fourth Circuit held in *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970 (9th Cir. 1990), that the contractual restrictions of 99 years prohibiting a purchaser from creating its own CAD/CAM die making software copyright program constitutes a misuse of copyright which can be used as a defense by parties being sued for copyright infringement. The Fifth Circuit held that a Louisiana statute cannot give effect to license use restrictions because of conflicts between the statute and § 301(a) of the Copyright Act of 1976. 17 U.S.C. § 301(a)(1996). *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, (5th Cir. 1988).

> ..."[W]hen state law touches upon the area of [patent or copyright statutes] it is familiar doctrine that the federal policy 'may not be set at naught, or its benefits denied by state law'"...

Vault Corp. v. Quaid Software Ltd., 847 F.2d 255 at 269 (5th Cir. 1988).

II. The Pre-emption Of All Conflicting References To A Perpetual Duration Of Copyright Rights Means The Substitute Of Copyright Law With Respect To The Renewal Term Of Petitioner's Copyright

Upon the pre-emption of all references to "perpetual" or "in perpetuity", copyright law and policy will apply to duration. Furthermore, the unconstitutional perpetual duration should not be used as contractual intent to justify the Respondents' exercise of the copyright rights during the renewal term. There is no other measuring duration of the copyright rights in the Basic Agreement. If the license does not set forth the period of its duration, it will be construed (in the absence of a contrary intent) to be effective for the duration of the then (initial) term of copyright of the work. *See Viacom Int'l, Inc. v. Tandem Prods., Inc.*, 368 F.Supp. 1264 (S.D.N.Y. 1974), *aff'd*, 526 F.2d 593 (2d Cir. 1975); 3 Nimmer on Copyright § 10.10[F] and *fn.* 4.61 (May 1998). *See also Manners v. Morosco*, 252 U.S. 317, 66 S.Ct. 101 (1920) in which the Court held that when the initial term has no duration, the licensee will exercise its rights during the initial term. *See also Turner v. Selznick*, 1997 WL 820871 (C.D. Cal.) (1998).

In *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469 (2d Cir. 1951), *cert. denied*, 342 U.S. 849, 72 S.Ct. 77 (1951), the Second Circuit held that if a licensee is licensed of a derivative right to create an opera from the owner/licensor of the underlying novel, and if such derivative right does not provide for the owner/licensor's renewal term, then the licensee's rights and use of the licensor's material terminates at the end of licensor's initial term.[2]

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[2] The Second Circuit was inaccurate in citing *G. Ricordi & Co.* as authority for the renewal term to be a new estate. The use of the term "new estate" is involved when an individual author dies before the expiration of the initial term. The statutory beneficiaries can exercise their rights during the renewal term free of any prior assignment or license. *Stewart v. Abend*, 495 U.S. 207, 110 S.Ct. 1750 (1990); *Miller*

Upon pre-emption, Respondents' exercise of P.C. Films' copyright rights terminated at the end of the initial term.

III. The Second Circuit Improperly Minimized That P.C. Films Was The Sole Party To Renew The Copyright

Bronston as an independent producer was an employer for hire and proprietor of the copyright. Respondents acknowledged that it is the sole owner of the copyright. As owner of the copyright, it was the sole party to renew the copyright. The Second Circuit did not refer to any evidence other than the words "perpetual" and "perpetuity" in holding that Respondent Turner was entitled to exercise the copyright rights during the renewal term.

The Second Circuit's assumptions that if Petitioner did not renew the copyright, it would have been deprived of (a) sequel, remake and novelization rights and (b) the right to negotiate a new distribution agreement if MGM declined to continue distributing the Picture, are artificial. There is nothing in the record to support such findings. In 1960 when the Basic Agreement was signed, most motion pictures were not renewed by the Copyright Act. James J. Guinan, Jr., *Duration on Copyright*, Copyright Law Revision Studies Prepared for the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Committee on the Judiciary, Study No. 30, p. 82 (1960).

The Second Circuit was also in error stating that MGM believed that it could renew the copyright as an author of the Picture. On September 4, 1962, twenty-five months after signing the Basic Agreement, an agreement was signed amongst Bronston, MGM and the Librarian of Congress so that MGM could save the cost of a print. (43a) In October of 1962, MGM signed the

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Music Corp. v. Charles N. Daniels, Inc., 362 U.S. 373, 80 S.Ct. 792 (1960). Bronston was a proprietor of the copyright as an employer for hire.

certificate of registration for the copyright of the Picture claiming that it was a co-author of the Picture.

The Second Circuit's reference in the Basic Agreement that the failure of MGM to obtain a power of attorney to renew the copyright was an omission because MGM believed that it could renew the copyright. MGM could never renew the copyright because MGM was not an assignee of Bronston or a co-employer. MGM never had the right to renew the copyright with the Copyright Office. *See Int'l Film Exchange, Ltd. v. Corinth Films, Inc.*, 621 F.Supp. 631, 635 (S.D.N.Y. 1985). If Petitioner did not renew the copyright, the copyright would have gone into the public domain. Although the Basic Agreement provided that MGM had the right to register the copyright in Bronston's name (55a), "registration" did not include renewal until 1992. 17 U.S.C. § 101 (1988), *amended in 1992 by* 17 U.S.C. § 101 (1996).

The Second Circuit committed error in minimizing that Petitioner was the sole party to renew the copyright.

It is ironic that in *G. Ricordi & Co. v. Paramount Pictures, Inc.* , 189 F.2d 469 (2d Cir. 1951), *cert. denied*, 342 U.S. 849, 72 S.Ct. 77 (1951) cited by the Second Circuit, David Belasco's derivative dramatic work based on the author's novel was not renewed. In Respondent Turner's case of *Turner v. Selznick*, 1997 WL 820871, (C.D. Cal.) (1998), Turner and other co-owners were owners of the copyright of "Gone With The Wind." Plaintiffs were co-owners of the copyright who did not renew their interests.

Therefore, contrary to the unsupported finding of the Second Circuit, the realistic commercial expectation of the parties was that the Picture would not be renewed. Furthermore, the reality is that MGM after drafting a precise 163 page agreement, loaning $4,000,000 to Bronston and Caribe Curacao N.V., a separate corporation owned by a third party and advancing $1,000,000 for certain territories controlled by Caribe Curacao N.V., MGM did not care about renewal rights because it controlled the negative of the Picture for what it considered to be

a perpetual and exclusive distribution right under state law. (¶ 11 of the Basic Agreement). (49a)

The real test is whether a prudent motion picture company advancing and loaning monies of $5,000,000 may after twenty-eight years permit another party either to inadvertently fail to renew the term of the copyright or intentionally donate the Picture to the public.

Pursuant to the Basic Agreement Bronston was entitled to exercise the copyright rights during the renewal term of its copyright based on the following: 1. Bronston had the ownership of the copyright and the right to renew the copyright (49a); 2. Bronston retained legal title to the ownership of the negative and the physical materials (49a); 3. MGM did not impose a contractual obligation on Bronston to renew the copyright (55a); 4. MGM did obtain express powers of attorney for rights not related to the renewal of the copyright, but did not obtain such a power of attorney to renew the copyright (51a,52a); 5. In the event of a default by Bronston, MGM specifically included provisions mentioning the "renewal term", but omitted any reference to the renewal term in connection with the copyright rights in contractual language since MGM was never concerned with copyright rights (60a).

IV. The Perpetual And Exclusive Distribution Right Was A Common Law Contractual Right

The Second Circuit did not analyze the nature of the perpetual and exclusive distribution right from a copyright analysis. The copyright rights in contractual language without duration contained in ¶ 1, § 3 of Exhibit I are different and apart from the nature and duration of the perpetual and exclusive distribution right in ¶ 8 which includes the control of the negative and other material all referred to in ¶ 11 and other contractual rights in various sections of Exhibit I (48a,49a,52a-54a).

The perpetual and exclusive distribution right in ¶¶ 8 and 11 is a common law contractual right which is the right to engage in a general distribution business under common law such as an

automobile, soft drink or clothing distributorship. See also ¶ 1 of the Basic Agreement (47a).

The word "distribute" in ¶ 1(a) of § 3 of Exhibit I of the Basic Agreement is different from the perpetual and exclusive distribution right in ¶¶ 8 and 11 (48a,49a,54a). This Court's statement in *Towne v. Eisner*, 245 U.S. 418, 425, 38 S.Ct. 158, 159 (1918) is pertinent to the words "distribute" and "distribution".

> A word is not a crystal, transparent and unchanged, it is the skin of a living thought and may vary greatly in color and content according to the circumstances and the time in which it is used.

Respondents did not offer any testimony of the nature of the perpetual and exclusive distribution right in ¶¶ 8 and 11 of the Basic Agreement and the rights referred to ¶1 in Section 3 of Exhibit I of the Basic Agreement.(53a) Respondents did not care for copyright rights. As evidence of such fact, after twenty-six months of submission of the Trial on Stipulated Facts, Respondents admitted in open court that "we were not acquiring copyright rights" (66a). The Second Circuit and District Court did not refer to such admission.

Neither the Second Circuit or the District Court made any reference to § 1 of the Copyright Act of 1909, which provided for the copyright rights. 17 U.S.C. § 1(a), (b), (c), (d) (rep. 1976). The Basic Agreement does not contain any reference to § 1 of the Copyright Act of 1909.

Section 1(a) of the Copyright Act of 1909 contained the rights to "print, reprint, publish, copy and vend." 17 U.S.C. § 1(a) (rep. 1976).

(1) **The Right to Publish.** Section 26 of the Copyright Act of 1909. 17 U.S.C. § 26 (rep. 1976) contained the only statutory reference to the term "distribution" which term was used in connection with the interpretation in defining "the date of

publication" for releasing a work to the public for divesting common law copyright works. In the motion picture industry, the right to "publish" meant distribution or delivery of copies or prints of a negative to motion picture exchanges and motion picture theatres. In a report by the Copyright Committee of the Motion Picture Association of America, Inc. with respect to the revision to the Copyright Act of 1909, there was no reference to a copyright right to "distribute". THE REGISTER'S RECOMMENDATIONS TO CONGRESS FOR A NEW COPYRIGHT STATUTE AS THEY PERTAIN TO PRODUCERS AND DISTRIBUTORS OF MOTION PICTURES; MEMORANDUM DATED MARCH 2, 1962 SUBMITTED TO THE HON. ABRAHAM L. KAMINSTEIN, UNITED STATES REGISTER OF COPYRIGHTS, BY THE COPYRIGHT COMMITTEE OF THE MOTION PICTURE ASSOCIATION OF AMERICA, INC., ¶ 2, p. 6 (1962). See also Report of the Register of Copyrights on the General Revision of U.S. Copyright Law, 87th Cong. 1st Sess, Copyright Law Revision, p. 21 (H Judiciary Comm Print 1961); 2 Nimmer on Copyright § 8.11[A] (May 1998).

Pursuant to the Copyright Act of 1976, the right to "distribute" combined the right to "vend" and the right to "publish". "Publication" was defined as "distribution." 17 U.S.C. § 101, 106(3) (1996). *See also Agee v. Paramount Communications, Inc.*, 59 F.3d 317, 319 (2d Cir. 1995).

(2) The Right to Vend. The right to "vend" was the right to transfer copies of the work by sale, lease or gift. Howell's Copyright Law p. 129 (Latman ed. 1962). MGM had no rights to sell any copies because of ¶ 11 and ¶ 1(e) of Section 3 of Exhibit I of the Basic Agreement.(**49a,54a**)

(3) The Right to Reproduce. The right to "print, reprint and copy" was the right to reproduce copies. See 2 Nimmer on Copyright § 8.14[D][3].

When Congress enacted subject matter for dramatic and non-dramatic motion pictures in 1912, there was no revision of the

copyright rights in § 1 of the Copyright Act of 1909. Townsend Amendment Act of August 24, 1912, ch. 356, 37 Stat. 488 which was codified in 17 U.S.C. § 5(l), (m) (rep. 1976). The motion picture industry had problems with respect to protecting motion picture producers and distributors from the wrongful exhibition of motion pictures. *See* Report of the Register of Copyrights on the General Revision of U.S. Copyright Law, 87th Cong. 1st Sess, Copyright Law Revision, p. 28 (H Judiciary Comm Print 1961); 2 Nimmer on Copyright § 8.14[D][3] (May 1998).

The right referred to in ¶ 1(a) of § 3 (**54a**) to "distribute, exhibit, exploit, market, televise, perform and otherwise use and deal in the photoplay..." is not in § 1 of the Copyright Act of 1909. 17 U.S.C. § 1 (rep. 1976). The only reported case with similar general language was *Metro-Goldwyn Mayer Distribution Corporation v. Bijou Theatre Co. of Holyoke*, 59 F.2d 70 at 77 (1st Cir. 1932), *remanded*, 3 F.Supp. 66 (D. Mass. 1933). The First Circuit held that such language was conclusory for pleading purposes but permitted plaintiff to amend its complaint for its action against defendants' wrongful exhibition of plaintiff's copyrighted motion pictures.

V. The Second Circuit Should Have Remanded The Declaratory Judgment Claim To The District Court To Determine Whether The Basic Agreement Was Voidable Under New York Law

The Second Circuit recognized that the Picture would fall into the public domain, except that Petitioner's restrictions would not be addressed until after 2037. There is no perpetual monopoly of copyright rights. The Second Circuit reformed the Basic Agreement without Respondents having requested such relief in the pleadings. The Basic Agreement speaks of a perpetual monopoly. If the perpetual and exclusive right to distribute and the exclusive copyright rights cannot be a perpetual monopoly, Respondents do not have to pay any perpetual royalties because Respondents do not have to pay after the expiration of the copyright. *Brullote v. Thys Co.*, 379 U.S. 29, 85 S.Ct. 176 (1964), *reh'g denied*, 379 U.S. 985, 85 S.Ct. 938 (1965); *April Productions v. G. Schirmer*, 308

N.Y. 366, 377, 126 N.E.2d 283, 290 (1955). Petitioner's first claim was in diversity. *Erie R.R. Co. v. Tompkins*, 304 U.S. 64, 58 S.Ct. 817 (1938). The Second Circuit should have made a determination that under New York law that if P.C. Films was not bound to perpetual copyright rights, then it could not be entitled to perpetual royalties. The *quid pro quo* consideration for the grant of perpetual copyright rights to MGM was the basis of MGM's paying Bronston perpetual royalties. Therefore, the Second Circuit should have ruled that the Basic Agreement was void or voidable or the Second Circuit should have remanded the first claim, to wit, the declaratory judgment claim to the District Court to determine whether the Basic Agreement was void or voidable or failed for lack of mutual consideration under basic state contractual principles.

CONCLUSION

The Second Circuit's decision was erroneous based on its analysis of the nature and duration of the perpetual and exclusive right to distribute the Picture which includes copyright rights in contractual language and contractually created common law rights. The perpetual duration of copyright rights should have been pre-empted as a measure of duration and as a basis of intent for its doctrine of partial pre-emption to permit Respondents to exercise the copyright rights during the renewal term of Petitioner's copyright.

Petitioner respectfully submits that this Court should grant a Writ of Certiorari to resolve the conflict among the Circuits of the question whether a state contractual right, obligation, or period of duration can be used to evade the Copyright Patent Clause, the Supremacy Clause, the Copyright Act of 1976 and copyright policy as well as providing guidelines for the Circuits, District Courts, State Courts (with respect to copyright license agreements) and practitioners representing clients creating, licensing, financing, viewing, hearing and using copyrighted works.

Copyrights and patents have been significant in the transformation of our society to a service industry as the source of

large wealth. In 1995, the film industry received revenues of 18 billion dollars. *See* H. Vogel, Entertainment Industry Economics, p. 55 (4th ed. 1998). Large revenues come from the exploitation of other copyrighted works as well as the manufacture of hardware and construction of auditoriums to view, hear or use copyrighted works. The Copyright Patent Clause should not be eroded by state contractually created rights, obligations and duration.

Dated: New York, New York
September 21, 1998

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